



OVERVIEW OF THE GOVERNOR'S INTRODUCED BUDGET

Presentation to:
Senate Finance Committee

Subcommittee on Health and Human Resources

January 8, 2018

Agenda

- Medicaid Overview
- Expenditure Forecasts
- Governor's Budget Amendments
- Program Updates

MEDICAID OVERVIEW

Introduction to the DMAS Mission

Superior Care

Cost Effective

Continuous Improvement

Virginians Covered by Medicaid/CHIP

1 in 8 Virginians rely on Medicaid

Medicaid is the primary payer for **behavioral health** services

Medicaid covers **1 in 3** births in Virginia

33% of children in Virginia are covered by Medicaid & CHIP

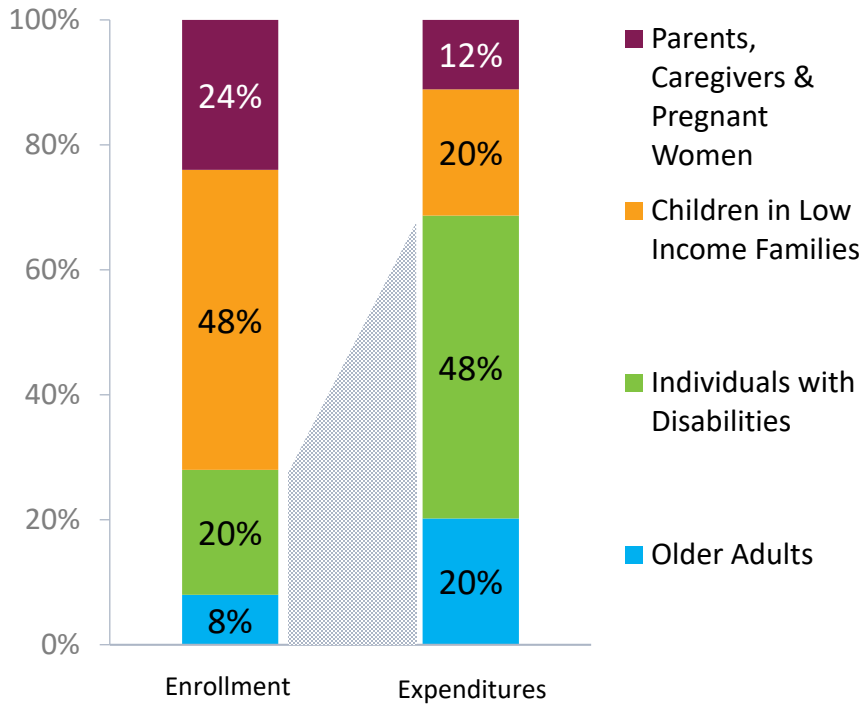
2 in 3 nursing facility residents are supported by Medicaid

62% of long-term services and supports spending is in the community

Medicaid plays a critical role in the lives of over 1.3 million Virginians

Virginia Medicaid: Enrollment & Expenditures

Enrollment vs. Expenditure SFY 2017



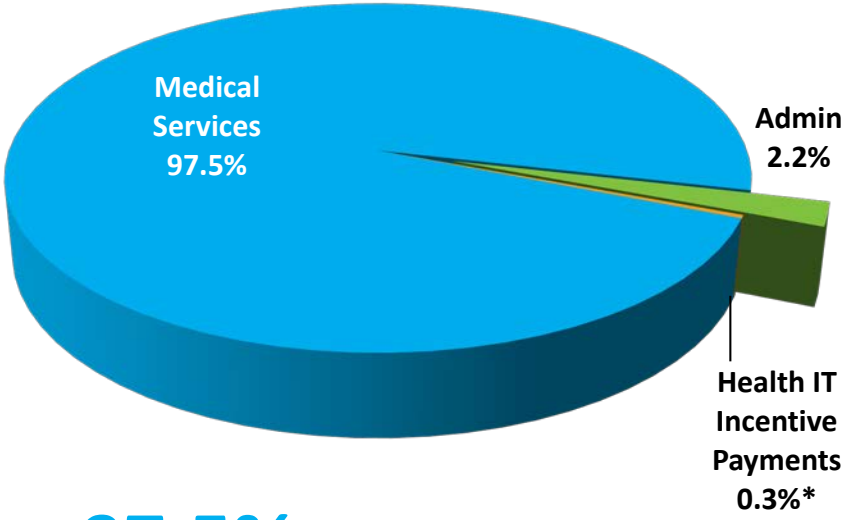
28% of the Medicaid population **Drives** **68%** of total expenditures

Expenditures are disproportionate to the population where services for older adults and individuals with disabilities drive a significant portion of Medicaid costs

Medicaid Budget

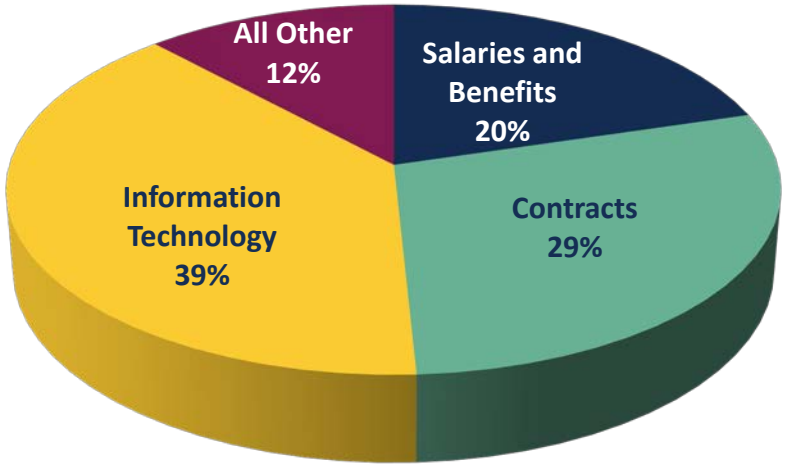
Only 2.2% of the total DMAS budget is for administrative expenses

Total FY17 Budget



97.5% of the DMAS budget funds medical expenses

Administrative Budget Breakdown



68% of Administration funds are for IT and contract expenses

*Note: Health IT Incentive Payments are funded by 100% federal funds.

EXPENDITURE FORECASTS

New Medicaid Forecast Results in a $86.7M GF Need in FY 2018

		Appropriation ($ millions)	Consensus Forecast ($ millions)	Surplus/(Need) ($ millions)
FY 2018	**Total Medicaid**	**$9,625**	**$9,910**	**($285.1)**
	State Funds	$4,917	$5,003	($86.7)
	Federal Funds	$4,709	$4,907	($198.3)

FY17-FY18 Biennium State Funds Surplus/(Need)	**($86.7 GF)**

Figures may not add due to rounding

New Medicaid Forecast Results in a $575.8M GF Need in New Biennium (FY19-FY20)

		Appropriation ($ millions)	Consensus Forecast ($ millions)	Surplus/(Need) ($ millions)
FY 2019	**Total Medicaid**	**$9,625**	**$10,114**	**($488.9)**
	State Funds	$4,917	$5,094	($177.0)
	Federal Funds	$4,709	$5,021	($311.9)
FY 2020	**Total Medicaid**	**$9,625**	**$10,537**	**($911.3)**
	State Funds	$4,917	$5,315	($398.8)
	Federal Funds	$4,709	$5,221	($512.5)
		FY19-FY20 Biennium State Funds Surplus/(Need)		**($575.8 GF)**

Note: Figures represent the most recent forecast. The official forecast of $583.9M has been decreased by $8M.

Figures may not add due to rounding

Drivers of Forecast Changes

		FY18	FY19-FY20
Hospital Payments	Lump sum payments in FY18 delayed from past years	✓	
	Increase in non-GF payments required by the 2017 budget		✓
Medicare Premium Changes	Rate increase for Part D (1.22% change) and no increase for Part B (0% change)	✓	✓
More Low Income Adults	Adult population has grown in 2017 as more eligible members remain in Medicaid and are not dis-enrolled	✓	✓
Managed Care	Movement of fee-for-service (FFS) services to managed care resulted in overall savings	✓	✓

Other Forecast Impacts

2017 General Assembly Actions Impacting the Forecast

GAP Eligibility
- Increased from 80% to 100% FPL effective 10/1/2017

New ARTS Services
- Residential treatment services began 4/1/2017
- Peer support services began 7/1/2017

CHKD Rates
- FY18 inflation adjustment restored

CSB Same Day Access (STEP-VA)
- Increased Medicaid utilization at CSBs due to services rendered same day

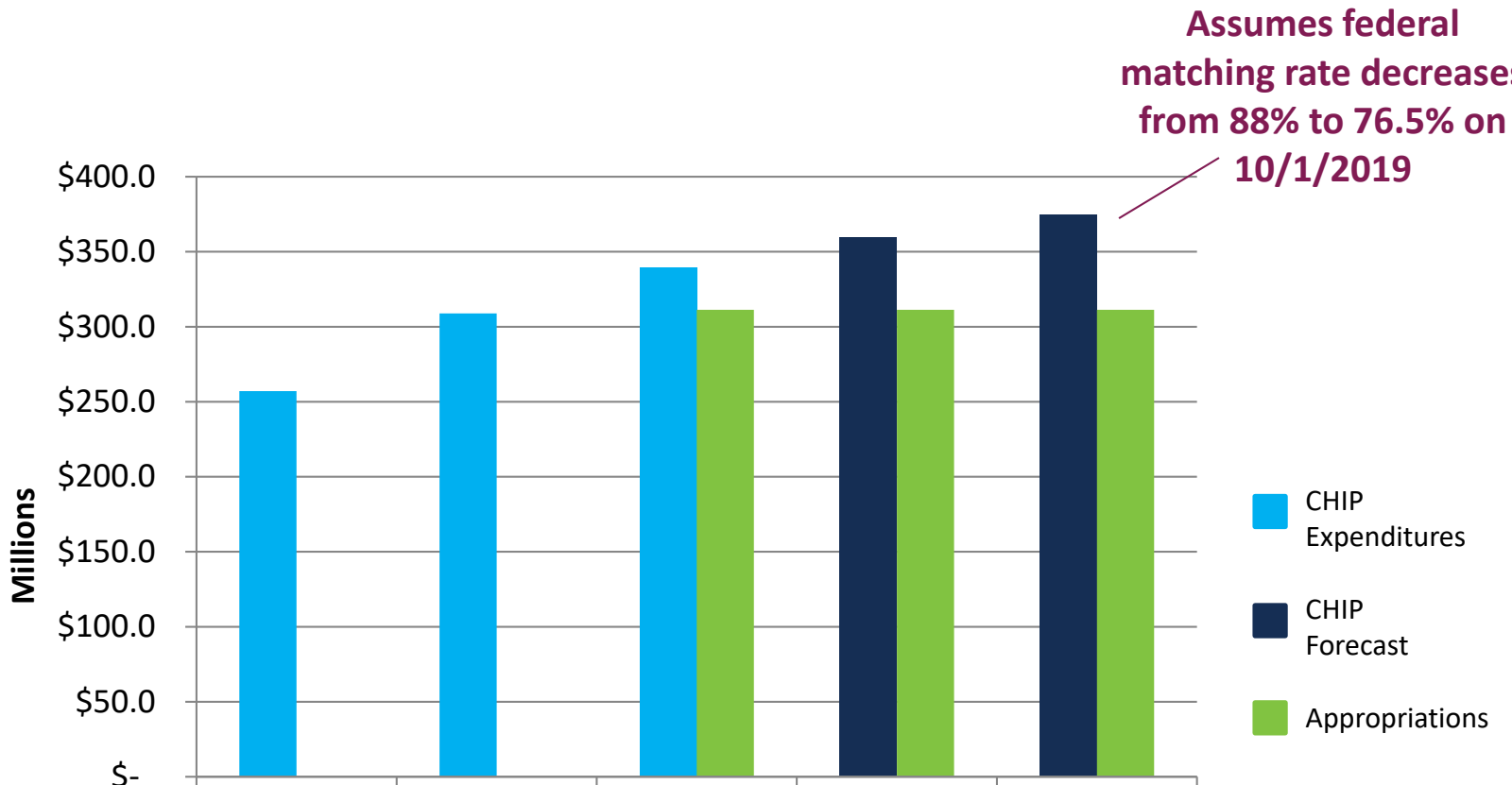
Other Trends and Assumptions Impacting the Forecast

Waiver Redesign
- New services began in September 2016

Behavioral Health
- Increased growth but moving under managed care

Hospital and Nursing Home Inflation
- Inpatient hospital rates increase by 2.8% in FY19 and 3.0% in FY20
- Nursing home rates increase by 2.9% in FY19 and 3.0% in FY20

New CHIP Forecast Results in a $49.2M GF Need in FY18 and FY19 - FY20 Biennium



	FY16	FY17	FY18	FY19	FY20
CHIP Expenditures/Forecast	$257.1	$308.9	$339.4	$359.4	$375.1
Appropriations			$311.3	$311.3	$311.3

Impact of Federal CHIP Actions

December 8, 2017

Congress passed a continuing resolution reducing the amount of 2017 left-over funds to be redistributed to Virginia.

As a result, Virginia would be short of the full amount needed for January 2018 coverage

December 12, 2017

DMAS mailed letters to notify families that the FAMIS programs might end January 31, 2018

December 22, 2017

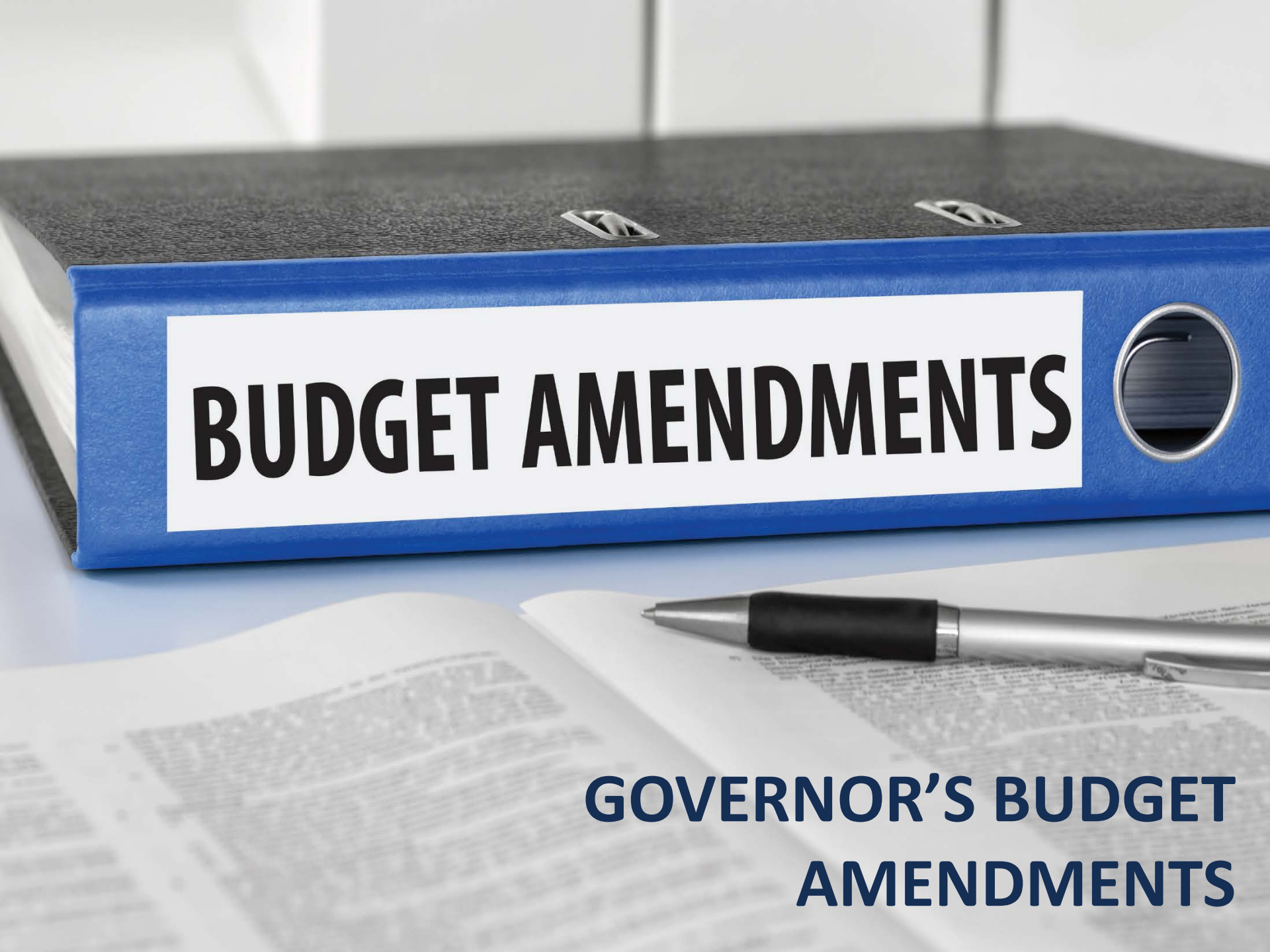
Another continuing resolution passed by Congress provided additional 2018 funds to states for CHIP

Present

CMS has not yet provided states with guidance on how they will be redistributing 2017 left-over funds in light of the additional 2018 funds.

Assuming Virginia receives these left-over plus additional funds, Virginia could continue coverage through end of February 2018

Without any additional Congressional action, 68,495 children and 1,114 pregnant women enrolled in the FAMIS program could lose their coverage on February 28, 2018



GOVERNOR'S BUDGET AMENDMENTS

Expanding Medicaid In Virginia

Expanding Medicaid offers Virginians access to quality, affordable health care while saving millions of dollars

Nearly **400,000** Virginians could get coverage if Virginia expanded Medicaid

Expanding Medicaid would save Virginia at least **$421.6 million** GF over the next biennium

To-date, Virginia has foregone **$10.5 billion** in federal funds

Medicaid Expansion

FY19-FY20 total GF savings estimated at $421.6M

	FY 2019 GF Costs/(Savings)	FY 2020 GF Costs/(Savings)
DMAS Savings Newly covered populations receive an enhanced federal matching rate	($120.4M)	($221.4M)
DSS Costs Additional resources for local workers to handle increased application volume	$2.3M	$3.6M
Corrections Savings Federal reimbursement available for inpatient hospital services delivered to incarcerated individuals	($17.2M)	($26.9M)
CSBs Savings Federal reimbursement available for substance abuse and mental health services	($16.7M)	($25.0M)
Total GF Savings	($151.9M)	($269.7M)

Total GF Savings FY19 –FY20
($421.6M)

Medicaid Expansion (continued)

Total state costs of expansion proposed to be financed by a provider assessment on private acute care hospitals

Estimated Cost of Coverage: FY 2019 = $80.8M (assessment is 0.5%) and FY 2020 = $226.1M (assessment is 1.4%)

Assessment will **cover the full cost of expanded Medicaid coverage** – meaning it will be calculated to equal the amount estimated in the official Medicaid forecast

Excluded from the assessment are: public hospitals, freestanding psychiatric and rehab hospitals, children's hospitals, long-stay hospitals, long-term acute care hospitals, and critical access hospitals

DMAS will be responsible for assessing and collecting the assessment which will be **calculated as a percentage of net patient revenue**

Budget Highlights

Provides $3.2M GF over the biennium to improve access to health care

FY19-FY20 Enhancements	FY19		FY20	
1 **Eye Care Services for Children** – Funds vision exams and glasses for school age children in Title I schools	GF = $0	NGF = $336K	GF = $0	NGF = $336K
2 **CSB Same Day Access (STEP-VA)** – Covers the Medicaid costs associated with providing same day access at all CSBs by 7/1/2019	GF = $1.6M	NGF = $1.6M	GF = $1.6M	NGF = $1.6M
Total FY19-FY20 for improving health care access	**GF =$1.6M**	**NGF =$1.9M**	**GF = $1.6M**	**NGF = $1.9M**

Total GF FY19-FY20 $3.2M

Budget Highlights (continued)

Provides $1.0M GF over the biennium to comply with federal requirements and ensure program quality

FY19-FY20 Enhancements	FY19		FY20	
3 **Independent Quality Review** – Provides funds for a federally required independent review of the MCOs to ensure quality and access	GF = $302K	NGF = $905K	GF = $570K	NGF = $1.7M
4 **Evaluation of Governor Access Program (GAP) Impact** – Provides funds for a federally required evaluation of the impact of the GAP program	GF = $85K	NGF = $85K	GF = $85K	NGF = $85K
Total FY19-FY20 for complying with federal requirements	**GF = $387K**	**NGF = $990K**	**GF = $655K**	**NGF = $1.8M**

Total GF FY19-FY20 $1.0M

Budget Highlights (continued)

Provides $47.7M GF over the biennium for new waiver slots

FY19-FY20 Enhancements	FY19		FY20	
5 **New Waiver Slots** – 825 new slots in the Community Living (CL) and Family and Individual Supports (FIS) waivers over the biennium	GF = $14.5M	NGF = $14.5M	GF = $30.5M	NGF = $30.5M
6 **Reserve Waiver Slots** – 50 CL waivers slots over the biennium to be held as reserve capacity to address emergency situations	GF = $937K	NGF = $937K	GF = $1.9M	NGF = $1.9M
Total FY19-FY20 for new waiver slots	**GF = $15.4M**	**NGF = $15.4M**	**GF = $32.3M**	**NGF =$32.3M**

Total GF FY19-FY20 $47.7M

Budget Highlights (continued)

Provides $19.5M GF over the biennium to improve reimbursement for consumer directed home and community based services

FY19-FY20 Enhancements	FY19		FY20	
7 **Overtime Pay** – Beginning 7/1/2019, allow for up to 16 hours per week of overtime for consumer directed (CD) attendants	GF = $0	NGF = $0	GF = $9.6M	NGF = $9.6M
8 **Rate Increase** – Increase rates by 2% for consumer directed personal care, respite, and companion services	GF = $4.8M	NGF = $4.8M	GF = $5.1M	NGF = $5.1M
Total FY19-FY20 for improving consumer directed home and community based services	**GF = $4.8M**	**NGF = $4.8M**	**GF = $14.7M**	**NGF =$14.7M**

Total GF FY19-FY20 $19.5M

Budget Highlights (continued)

Provides $5.1M GF over the biennium to enhance agency operations

	FY19-FY20 Enhancements	FY19		FY20	
9	**Third Party Liability (TPL) verifications** – Cover increased contract costs of TPL verifications and increase the number of verification conducted annually	GF = $104K	NGF = $104K	GF = $104K	NGF = $104K
10	**CoverVA Call Center –** Funds anticipated increased costs for reprocuring the CoverVA Call Center	GF = $3.8M	NGF = $6.3M	GF = $1.1M	NGF = $3.4M
Total FY19-FY20 for enhancing agency operations		**GF = $3.9M**	**NGF = $6.4M**	**GF = $1.2M**	**NGF =$3.5M**

Total GF FY19-FY20 $5.1M

Introduced Budget language in FY19 and FY20 to enhance and improve services

11	**Medical Residencies Awards** – Specify which hospitals have been awarded the remaining 10 graduate medical residency slots from the initial cohort funded
12	**Eligibility Performance Management Program** – Report data on the accuracy, efficiency, compliance, customer service quality, and timeliness of Medicaid, CHIP, and GAP eligibility determinations.

PROGRAM UPDATES

Overview of Program Updates

Evolving Managed Care (CCC Plus and Medallion)

Governor's Access Plan (GAP)

Addiction Recovery Treatment Services (ARTS)

Evolving Managed Care

Recognizing the value of managed care for the Commonwealth and Medicaid enrollees, DMAS **extended managed care to 95% of the Medicaid population** through two managed care programs: Commonwealth Coordinated Care (CCC) Plus and Medallion 4.0

Evolving Managed Care

Care Delivery Focus

- Emphasize coverage
- Focus on population-specific and combined/ comprehensive care
- Care coordination
- New provider types

Improvement Focus

- Integrated metrics
- Drive performance
- Social determinants of health
- Strategic

Innovation Focus

- Emphasize collaboration
- Value based objectives
- Share rewards
- Creative

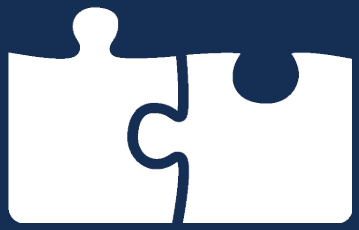
Virginia is leveraging more than 20 years of managed care experience to build the future

Strategic Transition to Managed Care

Two managed care programs

	CCC Plus	Medallion 4.0
	▪ Serving older adults and disabled ▪ Includes Medicaid-Medicare eligible ▪ 216,000 individuals	▪ Serving infants, children, pregnant women, parents ▪ 760,000 individuals
	▪ Long-term services and supports in the community and facility-based, acute care, pharmacy ▪ Incorporating community mental health	▪ Births, vaccinations, well visits, sick visits, acute care, pharmacy ▪ Incorporating community mental health
	▪ Implementation started Aug 2017 ▪ Implement statewide by Jan 2018	▪ Implementation statewide August 2018 ▪ Building on two decades of managed care experience
	▪ Approximately $30B over 5 years	▪ Estimated $10B - $15B over 5 years

Managed Care Alignment



CCC Plus and Medallion 4.0 managed care programs are aligned in many ways

- ✓ Regions
- ✓ Services (where possible)
- ✓ Integrated behavioral health models
- ✓ Common core formulary
- ✓ Care management (when appropriate)
- ✓ Provider and member engagement
- ✓ Innovation in managed care practices (including VBP)
- ✓ Quality, data and outcomes *(*when appropriate*)*
- ✓ Strong compliance and reporting
- ✓ Streamlined processes and shared services
- ✓ Emergency Department Care Coordination

CCC Plus Program Update

CCC Plus offers an integrated delivery model that includes:

- Medical, behavioral health and long-term services and supports
- Very few carved-out services (e.g., dental, community mental health *until 1/1/2018*, and DD Waiver services)
- Care coordination for all CCC Plus enrollees

Care Coordination is a key benefit offered through CCC Plus

Assess

Identify barriers to optimal health

Plan

Support person-centered, individualized care planning that includes the social determinants of health

Communicate

Establish collaborative relationships that connect the enrollee, MCO, and providers

Coordinate

Support care transitions and help enrollees navigate the health care system

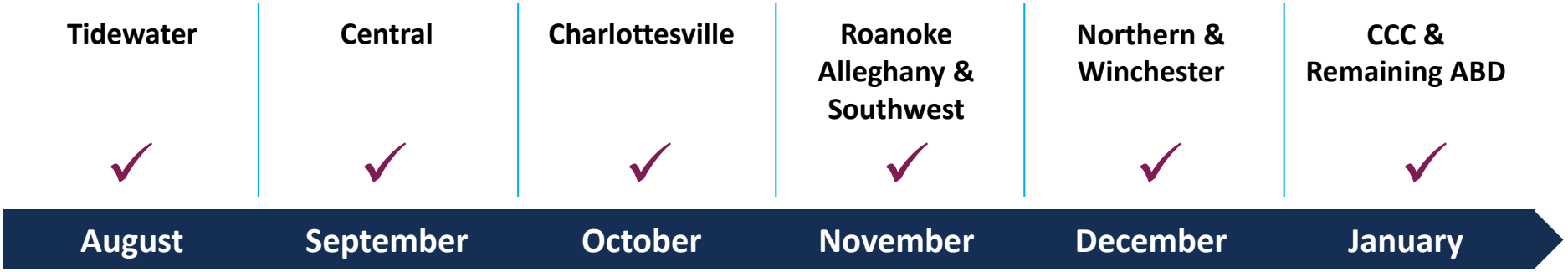
Monitor

Track progress towards goals and ensure ongoing continuity of care

Care Coordination supports individualized service delivery and provides long-term benefits to enrollees and their families

Finalizing CCC Plus Implementation

CCC Plus phased in regionally August 2017 – January 2018



As of January 1, 2018, approximately 216,000 enrollees successfully transitioned to CCC Plus

- Management of behavioral health services transitioned from Magellan to the CCC Plus health plans
- Over 77,000 individuals transitioned from the Medallion 3.0 Medicaid managed care program
- Approximately 25,000 individuals transitioned from the Commonwealth Coordinated Care Medicare-Medicaid alignment demonstration

DMAS worked with stakeholders to resolve implementation concerns such as provider payments, coordination with Medicare, and continuity of care

Medallion Program Update

Medallion 4.0 will keep the best of Medallion 3.0 and enhance MCO compliance and performance evaluations, evolve value-based purchasing, and innovate care delivery

Enhancing Care Delivery

Medallion 4.0 will begin covering and coordinating services that were previously "carved out" and paid through traditional fee for service Medicaid

- Early Intervention
- Third-Party Liability (TPL)
- Non-traditional behavioral health services
- Enhanced services

Advancing Care Delivery Innovations

Medallion 4.0 will focus on innovations that follow a person-centered approach to improve health outcomes while lowering the total cost of care

- Maternal and child health focus
- Value-based Payment
- Performance Incentive Award (PIA)
- Telehealth
- New member engagement strategies: (smartphone apps and social media)
- Social determinants of health
- New innovations

Medallion 4.0 Next Steps

DMAS began Medallion 4.0 procurement in 2017 and will phase-in program implementation regionally in 2018

- In 2017, DMAS issued MCO procurement and announced notice of intent to award 6 health plans with Medallion 4.0 contracts
- DMAS will concurrently operate and Medallion 3.0 and Medallion 4.0 programs during implementation phase-in
- Regional implementation will begin in August 2018

Medallion 4.0 Regional Phase-in

The Governor's Access Plan (GAP)

GAP improves access to care for Virginians with serious mental illness (SMI)

GAP offers basic medical and behavioral health care services for Virginians who would otherwise not have health care coverage including:

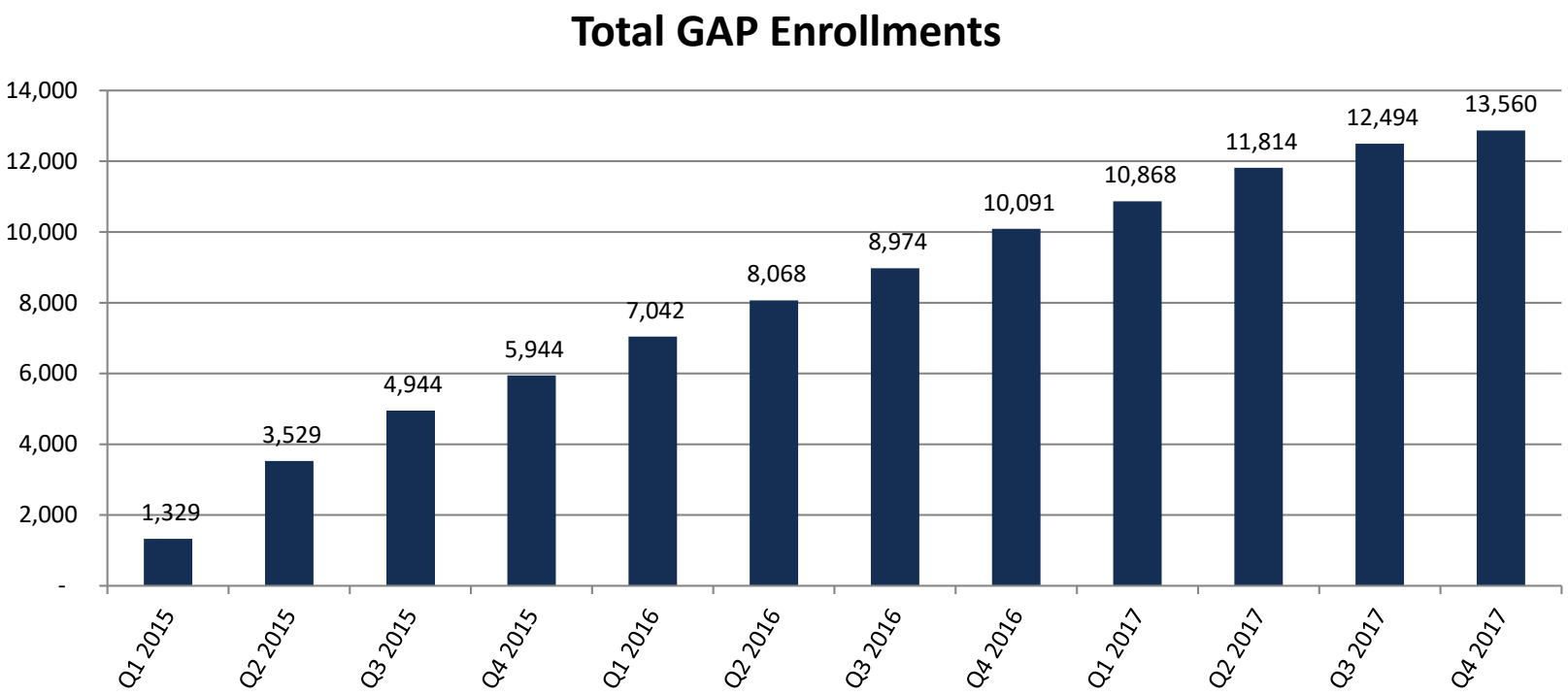
- Prescription drugs
- Primary care
- Counseling & Peer Support Services
- Behavioral health support for complex diagnoses such as depression, bipolar disorder, schizophrenia, and post-traumatic stress disorder

"I would be in the hospital without GAP. Now I have hope that life will continue to get better"

GAP services help prevent the hospitalization, unemployment, incarceration, homelessness, and social isolation that often occurs from untreated SMI

GAP Enrollment

As of December 10, 2017 there are 13,560 Virginians enrolled in GAP



Since January 2015, GAP has improved access to care for more than 17,000 Virginians

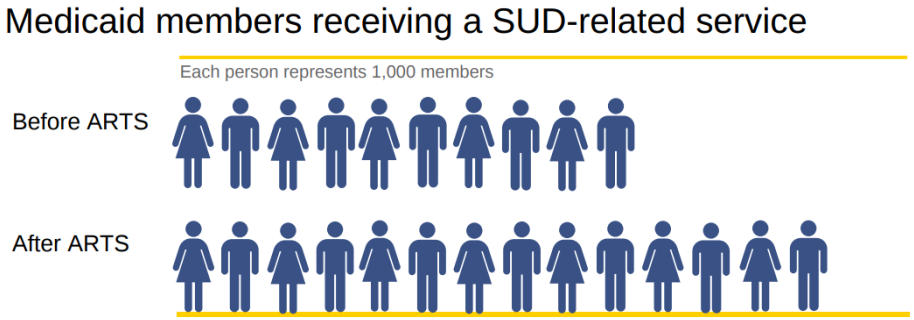
ARTS Benefit Update

DMAS launched the ARTS benefit on April 1, 2017

- Addiction and Recovery Treatment Services (ARTS) is an enhanced substance use disorder treatment benefit Medicaid member across the Commonwealth experiencing substance use disorders (SUD)
- The ARTS benefit expands access to a comprehensive continuum of addiction treatment services for all enrolled members in Medicaid, FAMIS, FAMIS MOMS and the Governor's Access Plan (GAP)

Since April 2017, there has been an increase in SUD benefit utilization

- 13,903 Medicaid members used a SUD service – a **40% increase**
- Number of members using Opioid Use Disorder services **increased by 49%**

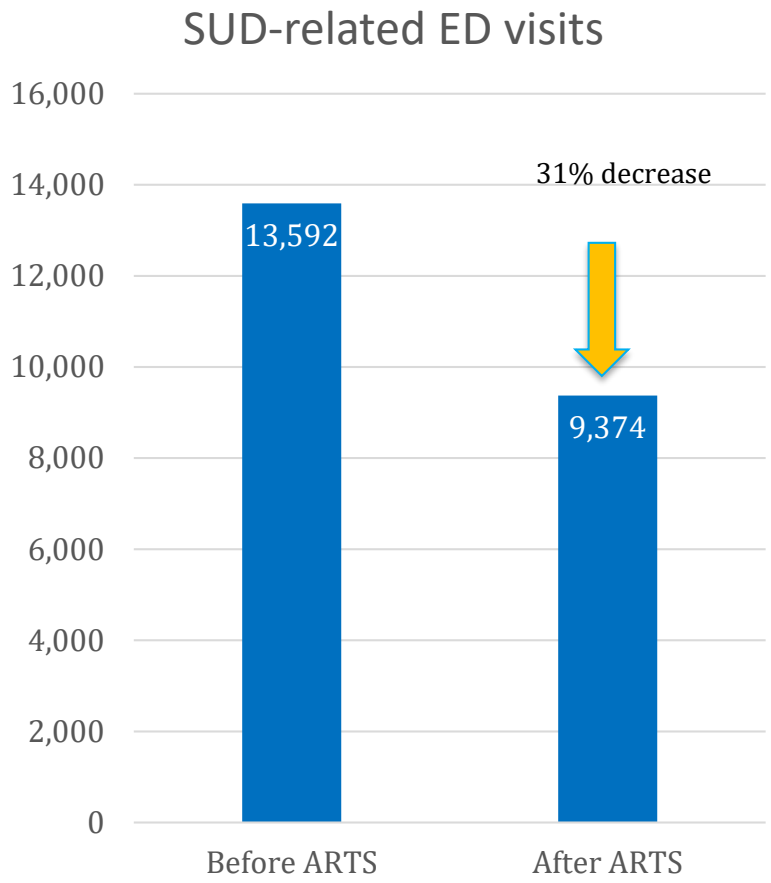


*Results based on a VCU evaluation of April-August 2017

ARTS: Decreasing ED Utilization

Substance use-related emergency department visits also declined in the first five months of implementing the opioid benefit

- All Substance Use Disorder related visits declined by **31%**
- Opioid Use Disorder related visits decreased by **39%**
- Alcohol Use Disorder related visits were down **36%**



Implementing Prescribing Guidelines

In response to the opioid crisis, DMAS implemented CDC opioid prescribing guidelines

- Aligned with Board of Medicine Emergency Opioid Prescribing Regulations
- Reduced opioid prescription expenses and quantities in just 6 months (across Medicaid Fee-for-Service and Managed Care reduced)[1]

Reduced opioid Expenses by 42.4% or **$3.5 Million**

- Jul to Dec 2016 = $8.25 Million
- Jul to Dec 2017 (projected) = $4.75 Million

Reduced opioid Quantity by 39.2% or **5.75 Million doses**

- Jul to Dec 2016 = 14.65 Million
- Jul to Dec 2017 (projected) = 8.90 Million

- Average unique members receiving opioids decreased by 5.4%

[1]Comparison period: July – Dec (2016 actual vs 2017 projected)

Our Mission Remains Unchanged

Superior Care

Cost Effective

Continuous Improvement

As DMAS drives improvement and innovation, our mission remains the same